

**Washington State Department of Financial Institutions**

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NEWS FOR IMMEDIATE RELEASE

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**State's Case Against Pacific West Securities Settled;  
Firm Pays \$120,000 In Fines And Costs**

OLYMPIA (6/3/02) - In the latest fallout from an earlier case involving the illegal sale of more than \$50 million in unregistered securities, State Securities Director Deborah Bortner has revoked the securities sales and investment adviser licenses of the head of Pacific West Securities, Inc., of Renton. In a Consent Order entered last month, Bortner also barred Pacific West Securities' President, Lorretta Elderkin, from reapplying for licensing for 10 years. Without admitting or denying the charges made against them, the firm and Elderkin agreed to the revocation, bar, and other sanctions.

The Securities Division's case derived from Pacific West and Elderkin's alleged failure to supervise a securities salesperson, Dorsey E. Rowan, Jr., whose sale of unregistered securities resulted in more than \$3 million in losses to his Pacific West clients. The State alleged that although Pacific West and Elderkin were aware of Rowan's illegal activity, they failed to take steps necessary to stop the sales. On July 27, 2001, the State issued Statements of Charges against Pacific West, Elderkin, and Rowan.

"Supervision of securities salespersons is primarily the responsibility of the broker," Bortner said. "In this case, the evidence showed that Elderkin failed to reasonably supervise Rowan's activities, and that Pacific West didn't have adequate supervisory procedures to detect and prevent his illegal acts," she said. "Brokers must be certain that their supervisory systems are working."

As part of the settlement, Pacific West agreed to hire an independent consultant to review the firm's supervisory systems and procedures. Once the review is complete, Pacific West will be required to adopt any recommended changes.

"Pacific West's agreement to retain an independent consultant to review its supervisory system was the key to this settlement," Bortner said. "Since the case began, the firm has taken steps to improve supervision of its securities salespeople. We're confident that they are now adequately supervised, and that by adopting the consultant's recommendations, the company will have supervisory procedures and systems in place that will meet or exceed all state and federal requirements."

In addition to the license revocations and hiring the independent consultant, Pacific West paid the Securities Division \$80,000 in costs for prosecution of the case and for future examinations of the firm. In light of the current fiscal crisis facing the state,

Bortner said that collecting the costs of its enforcement action from Pacific West was essential. "Violators of the Securities Act should pay most of the costs of enforcing the Act," she said. "If the Division must step in to see that registered broker-dealers supervise their salespeople, the broker should pay for that assistance, not the public."

The respondents also agreed to an \$80,000 fine, with half of it suspended contingent upon future compliance with the Consent Order. Bortner explained that suspending a portion of the fine acts as an incentive for Pacific West to comply with the terms of the order. If the firm breaches the order, in addition to other remedies, the Securities Division would seek to collect the \$40,000 suspended fine.

In agreeing to settle the case, Pacific West also made a voluntary donation of \$10,000 to the Investor Protection Trust (IPT), a non-profit foundation that provides independent, objective information needed by consumers to make informed investment decisions. Further information about the IPT is available at <http://www.investorprotection.org/>.

Bortner says most securities offered by registered brokers are registered or exempt from registration. Investors should be wary if a securities salesperson offers an unusual product or promises a guaranteed high rate of return, she says. "Rowan pitched these securities as high-yield, low-risk investments," Bortner said. "But investors should remember that risk is directly tied to return, and high-yield, low-risk investments only exist in the minds of scammers."

Washington's Securities Division may be reached at 1-800-372-8303 (toll free in Washington) or you can visit them on the Web at <http://www.dfi.wa.gov/sd>. Investors can find out if a security, or the person or firm offering the security, is licensed. Copies of the Consent Order in this case are also available on the web.

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(Editors: A copy of the Consent Order is available on the Securities Division website at <http://www.dfi.wa.gov/sd/SDO-030-02.pdf> . Also see [SDO-005-01](#) and [SDO-011-01](#).)